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Egypt

Sugar Annual

Sugar Imports to Rebound in 2013/2014

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Report Highlights:

In 2012/2013, Post expects a 33 percent drop in sugar imports to 930 TMT due to high stocks, temporary anti-dumping measures and strong domestic production. In MY 2013/2014, Post forecasts a slight increase in sugar production to 2012 TMT and a rebound in imports to around 1200 TMT of raw and refined sugar as Egypt attempts to satisfy local consumption expected to reach 3000 TMT while maintaining a strategic stock of around 350 TMT. The Government of Egypt (GOE) continues its efforts to reach self-sufficiency in sugar through increasing beet cultivation, increasing productivity for both cane and beet, encouraging investment in beet sugar industries closer to cultivation areas, and a nation-wide awareness campaign to reduce annual consumption per capita from the current 33 kg to a healthier 25 kg.

Commodities:

Sugar, Centrifugal

Area Planted

Cane: In 2013/14, Post does not forecast a change in cane area planted as the GOE continues to promote sugar beet cultivation at the expense of sugar cane expansion in an effort to conserve water. GOE efforts are not expected to decrease the planted area due to expected resistance from both farmers and large industry/manufacturers that are associated with sugar cane commodity. Cane is the main source for refined sugar and molasses industry, its processing by-product is used in plywood and paper pulp industries. Cane is cultivated in Upper Egypt in spring and autumn.

Beet: Post forecast Egypt's total beet area harvesting in marketing year (MY) 2013/14 at roughly 174,000 hectares (HA) slightly increasing from MY 2012/2013 of 172,000 hectares (HA). The area planted and harvested will increase due to the GOE's continued effort to expand the cultivation of beet due to its higher sugar concentration (13-18%) compared to 10% sugar concentration in cane, and lower water consumption. Post forecasts sugar production from beet in MY 2013/2014 to also increase as weather conditions that prevailed during MY 2012/2013 harvest that led to decreased concentration of sugar in beet would not repeat during MY 2013/2014 harvest season. Beet is planted in the Delta area in August and September and harvested in March.

Production

In marketing year MY 2012/2013, total raw sugar production is forecasted at 2000 TMT increasing from MY 2011/2012 reported production of 1,800 TMT. Raw sugar production from beet and cane in MY 2012/2013 is forecasted at 1,083 TMT and 917 TMT respectively compared to 850 TMT and 950 in MY 2011/2013. The numbers depict an increase in beet sugar production and a decrease in sugarcane production. This is attributed to the efforts exerted by GOE to expand on the cultivation of beet due to its high sugar concentration (13-18%) compared to cane (10%) and lower water consumption, still, GOE official noted that the 2012/2013 production levels were lower than expected; it is explained that lower temperatures in the early harvest season followed by sudden increase in temperature negatively impacted the beet quantity harvested, sugar concentration and decreased refineries' efficiency which affected their ability to deduce sugar.

In MY 2013/2014 Post forecast that beet area planted will slightly increase to 174,000 hectares compared to 172,000 hectares in MY 2012/2013, post forecast that production would increase as well to 7826 TMT compared to 7736 TMT in MY 2012/2013 and sugar produced will be around 1097 TMT compared to 1086 TMT in MY 2012/2013, post forecast that improved weather conditions would improve beet production. Post also forecast cane area planted in MY 203/2014 to be unchanged from MY 2012/2013 at 101,000 hectares as GOE works towards capitalizing on beet cultivation at the expense of the sugar cane. Post forecast sugarcane production in MY 2013/2014 to be fairly similar to the production levels in MY 2012/2013 at 9167 TMT and sugar production at 915 TMT.

A GOE official stated that in order to be able to accommodate the natural population increase (currently nearing 90 million), Egypt would need to build a sugar factory every two years and invest in increasing the beet planted area and enhancing productivity, GOE believe that one of the main obstacles facing sugar production self sufficiency is the size of sugarcane planted area which consumes scarce water resources, a resource that can be

better conserved by expanding beet plantation. In MY 2013/2014 post forecasts beet area planted to increase as indicated above and sugarcane area planted not to increase or largely decrease.

The gap between total sugar production and consumption is at 900 TMT and is annually increasing by 50 TMT annually due to the population increase. The average annual individual consumption in Egypt is at 34kgm/capita compared to average annual world consumption of 21kgm/capita, GOE aims to reduce the annual average consumption in Egypt to 25kgm/capita. In MY 2013/2014 the gap between production and consumption is expected to be 988 TMT slightly increasing from 950 in MY 2012/2013, post forecast importation of raw and refined sugar at 1,208 TMT to satisfy the local demand and maintain strategic stocks at 350 TMT.

In MY 2012/2013, Egypt also experienced a country-wide diesel shortage which affected the transportation sector in general. Sugarcane and sugar beet farmers raised concerns to the GOE over the increasing difficulties they face to secure sufficient diesel to transport their harvest to sugar factories, in many cases production of the harvested lands was not transported to factories on time which resulted in losses to the farmers and decreased sugar production. The GOE asserted that diesel shall be secured for different strategic sectors of the economy, agriculture being one. Post forecasts that in MY 2013/2014 the country-wide diesel shortage to lessen as GOE started negotiations with Russia and Libya to export diesel to Egypt, which could increase diesel supply in the local market and decrease hardship to farmers to deliver their harvest to factories. Post forecasts increased sugar production on this basis.

Cane processing is monopolized by the public sector Sugar and Integrated Industries Company (SIIC), which is responsible for providing white sugar to the ration card suppliers. Beet processing is handled through five different processors that each cover different provinces (see table 1 below).

Table (1) Beet Sugar Production	
Company	Production
Delta sugar	250-250 TMT
Daqahlia Sugar	170-250 TMT
El-Fayoum Sugar	150 TMT
Nubaria Sugar	120 TMT
Nile Sugar	120-140 TMT

Sources estimate that one ton of cane from the farm to the refiner costs the farmer EGP 200 (\$1= EGP6.6804) and the Government buys the ton from farmers at EGP 335. So, farmers are making profits equal to EGP 135 which is the difference between the actual cost and the government's price. Sources also indicate that beet farmers are making more profits than cane farmers due to two different reasons. First, Cane crop is sold by its weight rather than its sugar content. Cane farmers prefer to sell their crops based on its weight not its sugar content. However, beet farmers sell their crop according to its sugar content.

Beet farmers receive additional payments equal to EGP 27/ton for normal sugar content and EGP 54 per ton for higher sugar content. These additional payments are added to the basic price per ton. Second, sugar processors usually encourage beet farmers to sell their crops earlier in the harvest season. Delivering the beet crops during the first 10 days of the refining process earns an added payment of EGP100/ton which decreases by EGP10 each 10 days thereafter.

The government buys the domestic sugar production through the state-run Sugar and Integrated Industries Company (SIIC). Under this arrangement Egyptian farmers are paid a portion of a fixed amount upon the delivery of cane and beet to the mills. The balance due is paid to farmers at the end of the season. Government manipulation of prices, combined with Egyptian farmers not needing to pay for irrigation, make cane and beet cultivation profitable.

Consumption:

Sugar consumption is forecast at 2,950 TMT for the MY 2012/2013 compared to 2,900 TMT for the MY 2011/2012. Sugar consumption is driven by population growth which is increasing by 1.5 million people every year. In FY 2013/2014 post forecast sugar consumption to increase to 3000 TMT. White sugar is part of the ration card system under which the GOE provides a sugar ration to over 60 million of the 85 million Egyptian at low prices.

The GOE is also selling white sugar at the state-owned cooperative stores at reasonable prices that are less than market prices. White sugar prices are very volatile and sensitive in Egypt. Consumer prices for white sugar range from EGP 4.95 to EGP 6.80 while white sugar purchased under the ration card is EGP 1.25/kg (\$1 = EGP 6.6804).

Trade:

Egypt is bridging the gap between consumption and production through imports. Total imports are forecast to decrease in MY 2012/2013 at 930 TMT compared to 1179 TMT in the previous year. The decrease in imports is due to the country's reserve ending stocks from the previous year that was 350 TMT. The current import tariff for white sugar and raw sugar are 10 and 2 percent respectively.

In MY 2012/2013 state-owned sugar companies reported excessive stocks of sugar from MY 2011/2012 at 350 TMT that was not marketed due to excessive supply of sugar in the local market resulting from dumping practices by local traders and private companies. State-owned companies claim that zero-tariff under the Free Trade Agreement with the European Union and possibly EU subsidies to farmers could be the reason behind the dumping practices in MY 2012/2013. In response, in November 2012, the GOE imposed additional six-month temporary import duties of 17 per cent on raw sugar and 20 per cent on white sugar. At the same time, the GOE started an investigation aimed to clarify the sugar low prices at origin which lead to dumping in local market. The additional fees imposed by GOE raised the cost on imported sugar by EGP 1000 (\$1 = EGP 6.6804) and resulted in a halt on sugar importation. The temporary duty should end in June 2013, and despite the pressure exerted by private sugar importing companies on GOE to lift the additional importation fees, post forecast that GOE would extend the imposition for an additional term ending in December 2013 as the investigation is still at its infancy.

Post forecast that as a result of the additional fees imposed on sugar importation, local market supply would temporarily decrease in MY 2012/2013 which will allow for state-owned companies to market their year-end stocks. Post forecast that in MY 2013/2014 sugar importation would increase following shortage of supply after MY 2012/2013 year-end stocks deplete, the 2013/2014 season harvest alone would not suffice for the local demand. Post forecast MY 2013/2014 importation to be at 1208 TMT compared to 930 TMT in MY 2012/2013.

Policy:

In MY 2012/2013 the GOE imposed a temporary six-month period anti-dumping measure over the importation of sugar, following a cry from state-owned sugar companies who were unable to market their previous year stocks and farmers who claim were not getting fair prices from the sugar companies. A state-owned official expected sugar beet planted area could decrease next year due to excess stocks.

In response; GOE imposed importation fees of 17% over raw sugar and 20% over refined sugar. This was in November 2012 and will end in June 2013 and was imposed while the GOE investigates the reasons for imported sugar low prices at the origin that lead to sugar dumping in the local market.

As the investigation is still at early stages, post forecast this measure will be extended for a second term despite the calls from private sugar companies to lift it as this lead to increased the cost on the imported sugar to EGP 5,200/Ton compared to EGP 4,200/Ton for local produced sugar (\$1 = EGP 6.6804).

State-owned sugar company official indicated that the anti-dumping measure resulted in a halt on sugar importation during this period which will allow for the government-owned sugar companies to market their stocks. GOE along with state-owned sugar companies aim to align the local market supply with country's annual production and consumption levels and provide for better selling price and regained profitability for the state-owned sugar companies. Presently one kilogram of refined sugar consumer price ranges between EGP 4.95 to EGP 6.80 (\$1 = EGP 6.6804).

Also, GOE announced a \$120 million Egyptian project to produce ethanol. GOE will utilize the residues of sugar beet (beet pulp) to inject into the bio-ethanol projects in Egypt instead of exporting them by the sugar companies. The project is will be established in the province of Kafr el-Sheikh area over 100 acres with investments of \$ 120 million and would provides about 2,000 direct and indirect jobs. The project will produce bio-ethanol and material that are used in the production of ethylene and related by-products, which are the material for many of the basic petrochemical industries such as polyester, and polyethylene production and polyvinyl chloride. GOE plans on expanding the use of Ethanol as fuel for cars after mixing it with gasoline to secure alternative energy sources. Post does not expect production before MY 2017/2018. Post does not forecast increased beet planted area on the account of this project beyond the already planned by GOE, post forecast that beet residues export would dramatically decrease following production.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Egypt	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	Post New	USDA Official	Post New	USDA Official	Post New
Beginning Stock	285	285	350	350		230
Beet Sugar Production	850	850	910	1083		1096
Cane Sugar Production	950	950	1100	917		917
Total Sugar Production	1800	1800	2010	2000	0	2012
Raw Imports	969	969	1020	900		1178
Refined Imp. (Raw Val)	210	210	130	30	0	30
Total Imports	1179	1179	1150	930	0	1208
Total Supply	3264	3264	3510	3280	0	3450
Raw Exports	12	12	400	100		100
Refined Exp. (Raw Val)	1	1	0	0	0	0
Total Exports	14	14	400	100	0	100
Human Dom. Consumption	2900	2900	2950	2950		3000
Other Disappearance	0	0	0	0	0	0
Total Use	2900	2900	2950	2950	0	3000
Ending Stock	350	350	160	230	0	350
Total Distribution	3264	3264	3510	3280	0	3450

Sugar Cane for Centrifugal Egypt HS Code 170111	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	Post New	USDA Official	Post New	USDA Official	Post New
Area Planted		113		101		101
Area Harvested		112		100		100
Production		11098		9167		9167
Total Supply	0	11098	0	9167	0	9167
Utilization for Sugar		11098		9167		9167
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	0	11098	0	9167	0	9167

Sugar Beets - Egypt HS Code 170112	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	Post New	USDA Official	Post New	USDA Official	Post New
Area Planted		147		172		174
Area Harvested		146		171		173
Production		5545		7736		7826
Total Supply	0	5545	0	7736	0	7826

Utilization for Sugar		5545		7736		7826
Utilization for Alcohol	0	0	0	0	0	0
Total Utilization	0	5545	0	7736	0	7826